

17 January 1975

OMB

MEMORANDUM FOR THE RECORD

SUBJECT: Limitation on Cost-of-Living Increases for Annuities

1. I received a call from Hilda Schreiber, OMB, advising all agencies that the President has directed that all cost-of-living increases for U. S. Government annuities will be limited to 5 percent for an 18-month period ending June 30, 1976. The increase of 7.3 percent given on January 1, 1975, will not be affected. She wants amendments to CIARDS to effect this limitation in OMB by Tuesday of next week. She referred me to Tom Tinsley, Retirement Division, Civil Service Commission, who is preparing the submission for the CSC system.

2. I called Mr. Tinsley (632-4581) and he gave me the attached draft language of two proposals for our review and comment. Proposal I is for the CSC system only. He understood that we would use this proposal, appropriately conformed for CIARDS, since our cost-of-living provisions are the same. The other proposal is an omnibus approach to cover all U. S. Government retirement programs, and would be in title II of a bill; title I would place a 5 percent limit on Federal pay raises. He thought the second proposal more acceptable since the first would involve the jurisdiction of several oversight committees and would complicate the legislative process. He acknowledged, however, that we may still have the problem regardless of which way we go.

3. Tinsley will coordinate closely with us on the CSC proposal as he is aware that we will have to follow his lead in amending CIARDS to assure conformity.



STAT

Assistant Legislative Counsel

Distribution:

Orig - CIARDS

1 - OMB Liaison

1 - Chrono

OLC:PLC:cg (20 Jan 75)

PROPOSAL I

(This is a general law for the CSC retirement system and does not amend any section of that law. Our proposal for CIARDS would use the same language except for changes to conform to CIARDS.)

"To limit cost-of-living increases of annuities under CS retirement system for a specified period of time."

"Notwithstanding any other provision of law, additional cost-of-living increases in annuities which otherwise may be authorized to be paid during the period from February 2, 1975 through June 30, 1976, under section 8340 of title 5, United States Code, shall not be paid either during or after such period except that an annuity which is not otherwise increased under section 8340 may be increased under such section not to exceed a maximum of five percent."

PROPOSAL II

(This is a general law covering all U. S. Government retirement systems which would be specifically referenced. CIARDS would be specifically included. The proposal would be in title II of a bill; title I would limit U. S. Government pay raises.)

"Notwithstanding any other provision of law, additional cost-of-living increases or similar benefits which otherwise may become effective from date of enactment through June 30, 1976, under the Civil Service Retirement and Disability Act, the Central Intelligence Agency Retirement and Disability Act, Foreign Service ... etc., shall not be paid except that an annuity or similar benefit which has not otherwise been increased by five percent since December 31, 1974, may be increased under such cost-of-living provision of such law not to exceed a maximum of five percent."